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S E C R E T SECTION 01 OF 06 RIYADH 007838

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SUBJECT: USG ASSESSMENTS OF TERRORIST/INSURGENT FINANCE
OPERATING ENVIRONMENTS IN COUNTRIES NEIGHBORING IRAQ: SAUDI
ARABIA

REF: A. STATE 132693
[1](#)B. RIYADH 6860
[1](#)C. RIYADH 8032
[1](#)D. RIYADH 8392
[1](#)E. RIYADH 7058

Classified By: Acting Deputy Chief of Mission David Rundell for reasons
1.4 (b) and (d).

[1](#)1. (C) INTRODUCTION: This cable provides the assessment of
Embassy Riyadh's country team of the terrorist/insurgent
financing environment in Saudi Arabia. As instructed in
refotel, post's response is divided into separate sections
providing background information on the terrorist/insurgent
operating environment in Saudi Arabia, the relevant legal
regime, implementation of the enforcement of
counter-terrorist/insurgent financing measures, and
communication on these issues between governments and the
government's public affairs approach to terrorist and
insurgent groups in Iraq. END INTRODUCTION.

BACKGROUND INFORMATION

[1](#)2. (S/NF) The Saudi Arabian government (SAG) authorities do
not permit terrorist/insurgent travel facilitation,
recruitment, web-hosting, or training in the Kingdom of Saudi
Arabia (KSA), and take prompt action against attempts to
engage in such activities when they are uncovered. There are
no high-profile former regime figures in KSA of which we are
aware. It is a priority for SAG authorities to control
financial institutions and borders, and the SAG maintains
close liaison relationships with USG intelligence agencies
working on these and other issues. In order to implement the
SAG's authorities, the Saudi Arabia Financial Intelligence
Unit (SA FIU) was established to combat money laundering and
terrorist financing in the Kingdom. The SA FIU supplies lead
information to Mabath investigators working terrorism
finance cases and has the capability to respond to US
Government requests for financial information associated with
intelligence and law enforcement cases through the Joint Task
Force on Terrorism Finance. Banks generate lead information
through Suspicious Activity Reports (or Suspicious
Transaction Reports), which then pass to the Saudi Arabia

Monetary Agency (SAMA) and, when warranted, the SA FIU.

LEGAL CONTROLS ON MONEY LAUNDERING AND TERRORIST FINANCING

¶3. (U/FOUO) SA FIU officially opened on September 10, 2005. The SA FIU was originally chartered under the Saudi Anti-Money Laundering (AML) Law enacted in 2003 and officially established on September 10, 2005. According to the SA FIU's Director, Dr. Saud Al-Mureishd, the SA FIU safeguards the financial and non-financial systems from abuses of money laundering and terrorist financing; primarily the SA FIU receives STRs from Saudi banks and conducts preliminary investigations of financial crime. The SAG has planned for the SA FIU to become an independent agency separate from Mabathith. When this plan materializes, the SA FIU will perform investigations of all financial crimes.

¶4. (C) Cross-border movements of cash are monitored by the Saudi Arabia Directorate of Customs (SADC), under the jurisdiction of the Ministry of Finance. Regulations concerning funds movements are issued by SAMA. SAG regulations required individuals carrying funds in excess of SAR 100,000 (USD \$26,667) to declare the funds to Saudi customs officials upon entering the Kingdom. According to customs officials, Saudi Arabia currently has no active exit declaration policy for travelers.

¶5. (C) In September of 2005, Assistant Deputy Minister of Interior (MOI), Mohammed bin Naif (MbN), told visiting Assistant to the President and Homeland Security Advisor Fran Townsend that the SAG had decided to proceed with a law lowering the ceiling on cash reporting requirements for

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travelers entering the Kingdom. The new law would lower the reporting requirement from SAR 100,000 (USD \$26,667) to SAR 60,000 (USD \$16,000). At the same meeting, MbN reiterated that no laws currently govern the amount of money that may leave the country. In a subsequent meeting between US Department of Treasury's Office of Foreign Assets Control (OFAC) Director Robert Werner and SAMA Governor Hamad Al-Sayari, Al-Sayari mentioned that the new law was "in progress." To date, Post has neither seen SAMA-issued regulations supporting the new law, nor have we heard of changes at the border.

¶6. (C) Frequent visits by senior ranking USG officials, like Ms. Townsend, have included talking points on cash couriers, and the SAG is aware of the importance the USG places on this topic. The recent decision to lower the inbound reporting requirement is testimony to the SAG's engagement on the issue and is a good starting point. (Comment. However, a regulation is only effective if there is enforcement. In Post's view, the lowered ceiling is good news, but better news would be a change in customs' procedures and staffing that enables it to enforce the regulation effectively. End comment.)

¶7. (S/NF) In January 2006, the SA FIU drafted the new cash declaration policy for KSA. The draft regulations indicate that all STRs on cash carriers will be reported to the SA FIU and that the new regulations set the maximum amount of cash or precious metals brought into or out of the KSA at SAR 60,000 (USD \$16,000). In line with this plan, the SA FIU drafted a customs declaration to document cash or precious metals taken into or out of the country. This form is designed to establish written evidence of "intent to deceive" if the passenger is later found to be carrying cash or precious metals in excess of the legal ceiling. The SA FIU is to also develop a declaration form for non-financial institutions. To date, the new customs forms have not been issued.

THE DRAFT CASH DECLARATION REGULATIONS

18. (U) Following are the draft SA FIU regulations on cash declaration:

(U) Article 14. The regulations of this law outline the procedures for declaring cash and precious metals allowed into or out of Saudi Arabia and specifies the amount of cash and weight of metals that warrant declaration.

(U) 14.1 The maximum amount of cash or precious metals allowed into or out of Saudi Arabia is SAR 60,000 or the equivalent of that amount in any foreign currency.

(U) 14.2 Travelers are strictly prohibited from departing the country with cash or precious metals in excess of this limit. Cash exceeding this amount should be transferred to or deposited in any bank at the port of exit. Undeclared cash or precious metals in excess of the limit will result in customs turning the traveler into the appropriate authorities for questioning. The Financial Investigation Unit will be notified.

(U) 14.3 Travelers departing the country and wishing to carry precious metals in excess of SAR 60,000 have to fill a declaration form at the customs office at the port of exit. The traveler should provide purchase invoices to verify the value of the goods. If the goods are to be used for commercial purposes, the traveler will be subject to the provisions of the Customs Law.

(U) 14.4 Travelers departing the country with undeclared cash or precious metals in excess of the limit will be subject to the penalties specified in Article 20 of the Anti-Money Laundering Law and Customs Law depending on the findings of the investigation (Comment. See paragraph 17 for text of Article 20. End Comment). Customs will seize the cash and/or metals and notify the SA FIU.

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(U) 14.5 The customs officer, with the help of a SAMA representative, will inspect for fraud any cash in excess of SAR 60,000 declared by travelers entering Saudi Arabia. The traveler will be asked to deposit or transfer cash in excess of the limit to any bank at the port of entry. The declaration form will be stamped by customs and the FIU will be notified. The traveler will be asked to sign a written pledge that he/she will not repeat the offense. The traveler will also be required to produce purchase invoices for metals in excess of the limit. If the metal is for commercial use, the traveler will be subject to the provisions of the Customs Law.

(U) 14.6 Travelers entering the country who fail to declare cash or precious metals in excess of the allowed limit or repeat the violation, will be reported by customs officials to the appropriate authorities and subjected to the penalties specified in Article 20 of the Anti-Money Laundering Law. The SA FIU will be notified.

(U) 14.7 Customs will provide copies of all declaration forms to the SA FIU as stated in Article 11 of this law (Comment. Article 11 was not provided. End Comment.), allowing the SA FIU to investigate possible ties between these individuals and money laundering or other types of crimes.

(U) 14.8 Seized cash or precious metals that are not claimed after the specified 90-day period will be handled according to current regulations.

(U) 14.9 While retaining the right to conduct regular business, companies, financial and non-financial institutions, gold stores, Hajj and Umrah travel groups, cash courier and mail courier service companies shall be subject

to these regulations.

(U) 14.10 Customs shall create a database to include the names and data on individuals who have and have not declared any excess cash in the past, in order to identify repeated violations. The SA FIU will be notified of such cases.

(U) 14.11 The SA FIU or Customs shall prepare the declaration form referenced in this article and shall circulate it to all ports.

(U) 14.12 The Ministry of Interior and the Ministry of Finance shall take the necessary measures to publicize these instructions and shall post them on notice boards in obvious locations at every port of entry and exit. The instructions shall outline the procedures and penalties involved in case of violations.

(U) Article 20 of the Anti-Money Laundering Law: "Anyone violating any provision not stated hereof shall be subject to a jail penalty up to six months and a fine up to SAR 100,000 or to either punishment."

¶9. (C) Saudi customs officers have stated that, in practice, they rarely ask inbound passengers whether they are carrying funds in excess of the SAR 100,000 ceiling. The officers complain that they do not have the manpower to enforce the regulations, especially with the vast influx of passengers making Hajj and Umrah visits. In general, customs is far more concerned about counterfeit funds (versus legitimate cash) entering the country. When an inbound cash smuggler is detected, customs officials report they typically confiscate the funds, conduct an administrative review of the case (this is done by high ranking members of customs at the port of entry), issue penalties of up to fifty percent of the value of the confiscated funds, and if the guilty individual cannot pay the penalty, send the individual to jail. Key to note is that customs does not investigate money's origination or destination. Contraband cases involving explosives and/or narcotics are typically turned over to the Ministry of Interior (MOI) for further investigation. Saudi customs tends to regard cash couriers, and all contraband smugglers, as one-time incidents and does not follow-up with any additional investigation on their own or in conjunction with

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the MOI. Embassy staff have not observed any posted notices of currency restrictions when traveling through customs.

SA FIU ROLES AND RESPONSIBILITIES

¶10. (S/NF) The SA FIU falls under the authority of the Saudi Ministry of the Interior (MOI). The SA FIU reports directly to MbN. One of the SA FIU's responsibilities is to receive STRs from all Saudi banks and conduct preliminary investigations of financial crimes. Financial institutions are required to file STRs with the SA FIU within five business days of the incidence of suspicious activity. The SA FIU is the only entity in the SAG with authority to forward STRs to the Commission of Prosecution and Investigation, the government agency that prosecutes money laundering and terrorist finance crimes.

¶11. (S) Regarding suspicious transaction reports, under SAG rules, a financial institution must file a report with the SA FIU within five working days of the incidence. Additionally, if the SA FIU requires more information than provided by the bank on the initial report, the SA FIU may go directly to the reporting bank for the information. If, however, the SA FIU requires information from a different bank on the transaction, then the SA FIU must make its request for information through SAMA.

¶12. (S) The SA FIU shares authority with SAMA on subpoena

power. For access to financial records, the SA FIU must subpoena the records through SAMA. For access to non-financial records, such as security related files, the SA FIU can issue its own subpoena directly through MOI's National Information Center.

¶13. (S/NF) As of February 2006, the SA FIU was in the process of creating an analysis division consisting of a security analysis branch and a financial analysis branch. Both branches would analyze STRs concurrently. The security analysis branch would have access to the MOI's National Information Center and would complete criminal history checks on the initiators and beneficiaries of suspicious transactions. The financial analysis branch would be responsible for reviewing prior financial data and behavior. After both sections complete their reviews, their analyses would be compiled into a single report for the SA FIU Director.

¶14. (S/NF) If evidence of a crime is found in the preliminary investigation, the SA FIU will forward the STR to the Commission of Prosecution and Investigation. According to SAMA, as of January 2006, 150 STRs had been sent to the SA FIU, but none of those had been forwarded to the Commission of Prosecution and Investigation.

¶15. (S/NF) Currently the SA FIU is working with US Treasury's FinCEN to qualify for Egmont Group membership. FinCEN visited the KSA September 15-20 to conduct a final on-site review. This on-site review included visits and a comprehensive study on the various parts that make up the SA FIU. To include but not limited to: the SA FIU, the MOI, the Commission of Prosecution and Investigation, the General Security Agency, and bank compliance officers at various banks under SAMA's jurisdiction.

USG ASSISTANCE

¶16. (S/NF) U.S. members of the Joint Terrorist Finance Task Force (JTFTF) have trained its Saudi Mabahith and SA FIU counterparts. In 2005, FBI and IRS conducted a two-week, two-level course on financial investigation issues and tactics. In January 2006, the FBI plans to sponsor training for the MOI and SA FIU in Riyadh. In general, the SAG welcomes training opportunities and has expressed interest in training the SA FIU in STR analysis. In December of 2006, FinCEN is proposing specific training related to Egmont

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membership to the SA FIU in Washington, D.C. In the past, FinCEN has offered the SA FIU training; however the SA FIU has yet to accept FinCEN's offers.

UNSCR 1267'S DESIGNATIONS

¶17. (U) On 21 July 2006, Turkey's highest court suspended a five-year freeze on the assets of Saudi businessman and suspected Al-Qa'ida financier, Yassin al-Qadi, who was designated on 12 October 2001. We have no evidence that the SAG suspended the freeze on al-Qadi within the Kingdom. On 20 July 2006 and 3 August 2006, the United States and the United Nations, respectively, designated the Philippines and Indonesian branches of the Saudi Arabian-based International Islamic Relief Organization (IIRO), as well as IIRO Eastern Province Director, Dr. 'Abd al-Hamid Sulaiman al-Mua'jjil (AKA Abdul Hamid Sulaiman Al-Mujil), under UN 1267 specifications. The SAG complied with UN 1267 requirements to freeze all assets associated with the designated entities and placed a travel ban on Dr. al-Mua'jjil (reftel).

COMMUNICATION

¶18. (S/NF) The SAG does not regularly share information regarding terrorism or insurgent finance with the Government of Iraq. U.S. intelligence and law enforcement agencies regularly share information with their Saudi counterparts regarding foreign fighters, insurgency issues, and finance associated with Al-Qa'ida and independent extremist elements in the Kingdom. Lead information is frequently shared, to include financial queries on suspected insurgent and terrorism financiers, with Saudi counterparts via established bilateral channels and through the JTFTF. However, the Saudi members of the JTFTF have largely not reciprocated with their US partners regarding terrorism finance issues and are seldom proactive in providing new lead information on Saudi-based sources of terrorism finance. Furthermore, on numerous occasions, the SAG has been asked to co-sponsor a UNSCR 1267 designation; however the SAG has never agreed.

KSA AND IRAQ'S INSURGENT FINANCE

¶19. (S/NF) Although Saudi Arabia remains a major source of foreign fighters and ideological support to insurgents in Iraq, available information indicates that Saudi Arabia is not a major source of funding for the insurgency itself. Foreign fighters, including Saudis, typically carry enough cash on their persons to pay for their travel and documentation for entry into Iraq. However, information suggests that insurgent groups in Iraq rely on internal funding through extortion, money laundering, kidnappings, and other criminal activities.

¶20. (S/NF) Saudi Arabia remains a key source of terrorism finance. A variety of non-public information suggests that terrorism financiers and facilitators have quickly adapted to new Saudi regulations on charities, banks, and financial reporting requirements and choose to move money through informal means (e.g., couriers, mail, hawalas, and personal travel). Terrorist facilitators rarely use the regulated formal banking system, which may indicate that Saudi regulations on banks are working to deter illicit finance and terrorism finance. The planned USD 16,000 cash courier restriction will probably not impact low-volume funds accompanying foreign fighters into Iraq or key facilitation areas to Iraq, such as Yemen or Syria. Likewise, the proposed restriction will not prevent charities from sending funds abroad via couriers to finance projects or persons, who, in turn, may continue to divert legitimate funds to extremists and terrorist groups. Although not corroborated by a variety of

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sources, Saudi financiers of external terrorist/extremist groups may personally carry cash outside of Saudi Arabia into banking or hawala centers such as Manama and Dubai, where they can easily make money transfers to Iraq, Syria, and even Iran without encountering scrutiny.
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